

**Parson & Crosland Limited**

**Annual report and financial statements  
for the year ended 30 June 2011**

Registered number 4600557



## Directors' report

For the year ended 30 June 2011

The directors present their annual report on the affairs of Parson & Crosland Limited, together with the financial statements and independent auditors' report, for the year ended 30 June 2011

### Principal activity and business review

The company's principal activity is steel stockholding and steel processing. There has not been any significant change in the company's principal activities during the year under review. The results for the year show a retained loss of £808,570 primarily arising from the difficult trading and market conditions experienced during the year.

As shown in the company's profit and loss account on page 6, the company's sales value has increased by 28% over the previous year on a like for like comparison. Demand for steel in the market place has increased during the year but prices have remained volatile. A lack of supplier credit has restricted stock levels and eroded purchasing power resulting in a suppressed gross margin.

The balance sheet on page 7 shows that the difficult trading conditions have resulted in the net assets decreasing by £808,570. The company continues to have tight management of the overall investment in working capital.

Murray International Holdings Limited manages its operations on a divisional basis. For this reason, the company's directors believe further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Metals division of Murray International Holdings Limited, which includes the company, is discussed in the group's Annual Report, which does not form part of this report.

Since 21 April 2010 the company has formed part of the Metals Division within the Murray International Holdings Limited (MIH) Group of companies. The parent company of the Metals Division is Murray Metals Holdings Limited. As a result of the refinancing undertaken at the same date, the Metals Division no longer provides cross guarantees in respect of the wider MIH Group. The Metals Division only provides cross guarantees in respect of bank indebtedness within its own sub-group of companies. Murray Metals Holdings Limited and its subsidiaries therefore have a ring-fenced debt facility without recourse to or from the remainder of the MIH Group.

As part of a wider process, the Board of Directors and shareholders of the Metals Division, are considering strategic options and alternatives for the company and the various operations and activities of the Metals Division.

## Directors' report (continued)

### Results and dividends

Results are as follows

	2011
Retained profit at beginning of year	1,642,568
Loss for the period	(808,570)
Retained profit at end of year	<u>833,998</u>

The directors do not recommend the payment of a dividend (30 June 2010 - £Nil)

### Financial risk management

#### Credit Risk

The company is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but mitigates such risk through its policy of selecting only counterparties with high credit ratings and ensuring credit insurance is obtained where required

#### Liquidity Risk

Operations are financed by a mixture of shareholders' funds and group bank borrowings. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company

#### Cashflow Risk

The company's policy is to arrange core debt, bank loans and overdrafts, with a floating rate of interest plus an agreed margin

### Directors and their interests

The directors who served during the year and thereafter are as follows

Mr D B Lawson

Mr G Hill

Mr M S McGill

Mr J D G Wilson (resigned 9 May 2011)

Mr E J Bilcliffe (resigned 30 September 2010)

## Directors' report (continued)

### Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

### Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

Brightgate House  
Cobra Court  
Brightgate Way  
Trafford Park  
Manchester  
M32 0TB

By order of the Board

M S McGill  
Director

28 March 2012



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARSON & CROSLAND LIMITED**

We have audited the financial statements of Parson & Crosland Limited for the year ended 30 June 2011 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARSON & CROSLAND LIMITED (continued)****Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Statement of accounting policies concerning the company's ability to continue as a going concern. As explained in the statement of accounting policies, the existing bank facilities are scheduled to expire in the near term and the directors are currently working in conjunction with the shareholders of the company to review strategic options for the Metals Division. These conditions, along with the other matters explained in the statement of accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Howie

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Glasgow

29 March 2012

**Profit and loss account**  
For the year ended 30 June 2011

	Notes	Year ended 30 June 2011			Year ended 30 June 2010
		Before stock provision £	Stock provision £	Total £	£
Turnover	1	16,860,812	–	16,860,812	13,161,406
Cost of sales		(16,051,536)	(386,153)	(16,437,689)	(12,023,256)
<b>Gross profit</b>		<b>809,276</b>	<b>(386,153)</b>	<b>423,123</b>	<b>1,138,150</b>
Other operating expenses	2	(1,232,272)	–	(1,232,272)	(1,628,929)
<b>Operating loss</b>		<b>(422,996)</b>	<b>(386,153)</b>	<b>(809,149)</b>	<b>(490,779)</b>
Finance income/(charges) (net)	3	579	–	579	(30,874)
<b>Loss on ordinary activities before taxation</b>	4	<b>(422,417)</b>	<b>(386,153)</b>	<b>(808,570)</b>	<b>(521,653)</b>
Tax on loss on ordinary activities	6	–	–	–	(369,931)
<b>Loss for the year</b>	15	<b>(422,417)</b>	<b>(386,153)</b>	<b>(808,570)</b>	<b>(891,584)</b>

The accompanying notes form an integral part of the financial statements

The results are derived from continuing activities

There are no recognised gains or losses in either year other than the loss for that year. Accordingly, no separate statement of total recognised gains and losses is presented.

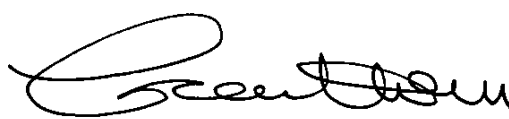
## Balance sheet

30 June 2011

	Notes	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	7	1,819,077	1,981,020
<b>Current assets</b>			
Stocks	8	3,612,238	2,727,423
Debtors	9	4,029,653	3,940,289
Cash at bank and in hand		136,711	46,223
		<u>7,778,602</u>	<u>6,713,935</u>
<b>Creditors' Amounts falling due within one year</b>	10	<u>(4,610,548)</u>	<u>(2,899,254)</u>
<b>Net current assets</b>		<u>3,168,054</u>	<u>3,814,681</u>
<b>Total assets less current liabilities</b>		<u>4,987,131</u>	<u>5,795,701</u>
<b>Net assets</b>		<u>4,987,131</u>	<u>5,795,701</u>
<b>Capital and reserves</b>			
Called-up share capital	13	4,103,133	4,103,133
Capital redemption reserve	14	50,000	50,000
Profit and loss account	14	833,998	1,642,568
<b>Shareholders' funds</b>	15	<u>4,987,131</u>	<u>5,795,701</u>

The accompanying notes form an integral part of the financial statements

The financial statements on pages 6 to 17 were approved by the Board of Directors on 28 March 2012 and signed on its behalf by

 G Hill  
Director

 M S McGill  
Director

**Parson & Crosland Limited**  
Company registration number: 4600557



## Statement of accounting policies

For the year ended 30 June 2011

### Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the preceding year.

### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

### Going concern

The financial statements have been approved on the assumption that the Company remains a going concern. The following paragraph summarises reasons on which the directors have reached their conclusion.

The company meets its day to day working capital requirements through its cash balances and inter-group funding. The directors have reviewed the Company's projected profit and cash flow forecasts based on the existing group bank facilities which are scheduled to expire in the near term. The Board of Directors and shareholders of the company are currently working in conjunction to examine and consider strategic options and alternatives for the Metals Division together with the various activities and operations thereof. The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the directors have formed a judgement that, at the time of approval of the financial statements, the company has sufficient resources to continue operating for the foreseeable future, including funding necessary capital expenditure. For these reasons, the directors consider it appropriate to prepare the financial statements on a going concern basis.

### Tangible fixed assets

Tangible fixed assets are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	Over 50 years	
Plant and machinery	10% - 20%	per annum
Motor vehicles	25% - 33%	per annum

Residual value is calculated on prices prevailing at the date of acquisition.

### Stocks

Stocks, which comprise goods for resale, are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition is based on purchase cost on a first-in, first-out basis, including transport. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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## Statement of accounting policies (continued)

### **Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **Turnover**

Turnover, which is stated net of trade discounts and VAT, represents amounts invoiced to third parties at the point goods are despatched and services are performed.

### **Pension costs**

The company sponsors individual defined contribution pension plans for certain employees. All contributions to the plans, which are independently administered by insurance companies, are charged in the profit and loss account in the period in which they are incurred.

### **Leases**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

## Notes to the financial statements (continued)

### 1 Turnover

All turnover in the current and prior year arose in the United Kingdom as a result of the company's principal activity

### 2 Other operating expenses

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Distribution costs	576,504	459,974
Administration expenses	655,768	1,170,730
Profit on sale of fixed assets	–	(1,775)
	<u>1,232,272</u>	<u>1,628,929</u>

### 3 Finance income/(charges) (net)

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<i>Interest payable and similar charges</i>		
Bank overdrafts	–	(28,547)
Hire purchase contracts	–	(2,327)
<i>Other interest receivable and similar income</i>		
Interest receivable	579	–
	<u>579</u>	<u>(30,874)</u>

## Notes to the financial statements (continued)

### 4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting)

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Depreciation and amounts written off tangible fixed assets		
- owned	235,806	196,852
- held under hire purchase contracts	-	19,355
Operating lease rentals		
- property	43,500	43,500
Auditors' remuneration for audit services	3,580	3,410
Profit on disposal of tangible fixed assets	-	(1,774)

Amounts payable to Grant Thornton UK LLP and their associates by the company in respect of non-audit services were £Nil (30 June 2010 - £Nil)

### 5 Staff costs

The average monthly number of employees (including executive directors) was

	Year ended 30 June 2011 Number	Year ended 30 June 2010 Number
Sales	11	13
Administration	2	5
Warehousing	37	35
	50	53

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
The aggregate remuneration comprised		
Wages and salaries	1,216,733	1,050,045
Social security costs	116,862	99,751
Other pension costs	30,659	28,679
	1,364,254	1,178,475

Directors' remuneration

The remuneration of the directors was £Nil (30 June 2010 - £Nil) Directors' remuneration in both periods was borne by other group undertakings

## Notes to the financial statements (continued)

### 6 Tax on loss on ordinary activities

The tax charge comprises

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<b>Current tax</b>		
Group loss relief - prior year	—	162,230
<b>Deferred tax (note 12)</b>		
Origination and reversal of timing differences	—	207,701
<b>Total tax on loss on ordinary activities</b>	—	369,931

The difference between the total current tax and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Loss on ordinary activities before taxation	<b>(808,570)</b>	(521,653)
Tax on loss on ordinary activities at standard UK corporation tax rate of 27.5% (30 June 2010 - 28%)	<b>(222,357)</b>	(146,063)
Effects of		
Expenses not deductible for tax purposes	<b>7,735</b>	3,105
Other short term timing differences	<b>57,688</b>	6,781
Unrelieved tax losses and other deductions arising in the period	<b>96,138</b>	80,535
Accelerated capital allowance and other timing differences	<b>60,796</b>	55,642
Adjustments to tax charge in respect of previous periods	—	162,230
<b>Current tax charge for the year</b>	—	162,230

The company has tax losses available to carry forward at 30 June 2011 of £1,632,494 (30 June 2010 £1,282,901)

## Notes to the financial statements (continued)

### 7 Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
Beginning of year	1,015,755	1,950,938	308,072	3,274,765
Additions	4,428	69,435	–	73,863
End of year	<b>1,020,183</b>	<b>2,020,373</b>	<b>308,072</b>	<b>3,348,628</b>
<b>Depreciation</b>				
Beginning of year	264,057	835,264	194,424	1,293,745
Charge for the year	18,333	176,393	41,080	235,806
End of year	<b>282,390</b>	<b>1,011,657</b>	<b>235,504</b>	<b>1,529,551</b>
<b>Net book value</b>				
End of year	<b>737,793</b>	<b>1,008,716</b>	<b>72,568</b>	<b>1,819,077</b>
Beginning of year	<b>751,698</b>	<b>1,115,674</b>	<b>113,648</b>	<b>1,981,020</b>

Included in cost of land and buildings is freehold land of £Nil (30 June 2010 £98,364) which is not depreciated

Included within fixed assets are plant and machinery and motor vehicles held under hire purchase contracts with a net book value of £Nil (30 June 2010 £137,107) Depreciation charged on these assets in the year amounted to £Nil (2010 £19,355)

### 8 Stocks

	2011 £	2010 £
Goods for resale	<b>3,612,238</b>	<b>2,727,423</b>

## Notes to the financial statements (continued)

### 9 Debtors

	2011 £	2010 £
Amounts falling due within one year		
Trade debtors	3,420,635	3,513,136
Amounts owed by group undertakings	390,161	301,245
Other debtors	89,060	–
Prepayments and accrued income	129,797	125,908
	<u>4,029,653</u>	<u>3,940,289</u>

### 10 Creditors: amounts falling due within one year

	2011 £	2010 £
Hire purchase contracts	–	78,337
Trade creditors	3,105,610	1,460,680
Amounts owed to group undertakings	1,195,239	957,799
Corporation tax	20,277	20,277
Other taxation and social security	34,385	154,973
Accruals and deferred income	255,037	227,188
	<u>4,610,548</u>	<u>2,899,254</u>

Hire purchase liabilities are secured upon the assets to which they relate

## Notes to the financial statements (continued)

### 11 Borrowings

	2011 £	2010 £
<b>Borrowings are repayable as follows:</b>		
<b>Within one year</b>		
Finance leases	–	78,337

### 12 Deferred Tax

	2011 £	2010 £
<b>Deferred tax asset</b>		
Beginning of the year	–	207,701
Movement in year	–	(207,701)
End of the year	–	–

As at 30 June 2011 there is a potential deferred tax asset of £583,169 (30 June 2010 £514,491) which has not been recognised in the financial statements. The unrecognised deferred tax asset comprises:

	2011 £	2010 £
Accelerated capital allowances	94,515	138,446
Short term timing differences	64,206	10,408
Tax losses carried forward	424,448	365,637
	<b>583,169</b>	<b>514,491</b>



## Notes to the financial statements (continued)

### 13 Called-up share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
4,103,133 ordinary shares of £1 each	<u>4,103,133</u>	<u>4,103,133</u>

### 14 Reserves

	Profit and loss account £	Capital redemption reserve £	Total £
Beginning of the year	1,642,568	50,000	1,692,568
Loss for the year	<u>(808,570)</u>	<u>–</u>	<u>(808,570)</u>
End of the year	<u>833,998</u>	<u>50,000</u>	<u>883,998</u>

### 15 Reconciliation of movements in shareholder's funds

	2011 £	2010 £
Loss for the financial year	<u>(808,570)</u>	<u>(891,584)</u>
Opening shareholder's funds	<u>5,795,701</u>	<u>6,687,285</u>
Closing shareholder's funds	<u>4,987,131</u>	<u>5,795,701</u>

## Notes to the financial statements (continued)

### 16 Guarantees and other financial commitments

#### a) Capital commitments

At the end of the year, capital commitments contracted for but not provided for were £Nil (30 June 2010 - £nil)

#### b) Contingent liabilities

The company has guaranteed bank borrowings of its intermediate holding company, Murray Metals Holdings Limited, and certain other subsidiary undertakings. The total contingency as at 30 June 2011 amounts to £58,824,187 (30 June 2010 - £54,676,032). Security for the bank facilities consists of cross guarantees and a debenture containing fixed and floating charges over the assets of the company.

#### c) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

Expiry date	2011		2010	
	Property £	Other £	Property £	Other £
Over 5 years	<u>43,500</u>	<u>-</u>	<u>43,500</u>	<u>-</u>

### 17 Ultimate controlling party

The company is a subsidiary undertaking of Murray General Steels Group Limited which in turn is a subsidiary undertaking of Murray Metals Holdings Limited. The ultimate parent company is Murray International Holdings Limited.

The largest and smallest group of which the company is a member and for which group financial statements are drawn up is that headed by Murray International Holdings Limited whose principal place of business is at 10 Charlotte Square, Edinburgh EH2 4DR.

Sir D E Murray, a director of the ultimate holding company, and members of his close family control the company as a result of controlling directly or indirectly by 70% (30 June 2010 - 76%) of the issued share capital of the ultimate holding company.

As a subsidiary undertaking of Murray Metals Holdings Limited and Murray International Holdings Limited, the company has taken advantage of the exemption in Financial Reporting Standard 8 "Related party disclosures", from disclosing transactions with other members of the group headed by Murray Metals Holdings Limited and of the wider group by Murray International Holdings Limited.

### 18 Post balance sheet events

On 7 March 2012, Murray International Holdings Limited and certain of its subsidiaries completed a financial restructuring, details of which are set out in the financial statements of Murray International Holdings Limited for the period ended 30 June 2011.